

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 OIC-02 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 /117 W

----- 059969

P R 261401Z FEB 75

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC PRIORITY 5184

INFO USMISSION GENEVA

UNCLAS REYKJAVIK 0205

GENEVA FOR MTN DEL.

E.O. 11652: N/A

TAGS: ETRD GATT IC

SUBJECT: MTN: NONTARIFF BARRIERS

REF: STATE 0398334; REYKJAVIK A-5; REYKJAVIK A-6; REYKJAVIK A-15

1. REYKJAVIK A-5 CONTAINS THE LATEST RESPONSES OF THE GOI WITH  
RESPECT TO THE NOTIFIED NTBS WITH THE FOLLOWING EXCEPTIONS:

A. REYKJAVIK A-6 INFORMED THE DEPARTMENT THAT GOI ASKED THAT  
WE CORRECT RESPONSES ON ITEMS ON ALCOHOL AND TOBACCO TO SHOW  
THAT NEITHER IS SUBJECT TO IMPORT LICENSING.

B. UNDER THE ITEM "SPECIAL LICENSING FEE", NOTE THAT THE NEW  
LEVY INSTITUTED IN 1974 ON AUTOMOBILES AND MOTORCYCLES HAS BEEN  
RAISED FROM 35 TO 50 PER CENT, AND THAT ON BUSES AND COACHES  
FROM 20 TO 25 PER CENT.

C. THERE IS A GOVERNMENT BILL IN THE PARLIAMENT WHICH SHOULD BE  
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APPROVED SHORTLY INCREASING THE SALES TAX BY 1 PER CENT TO A

TOTAL OF 20 PER CENT.

D. THE MINISTRY OF COMMERCE HAS PROMISED TO PROVIDE INFORMATION ON THE STATE FERTILIZER MONOPOLY, HOPEFULLY PRIOR TO THE MARCH 3 CONSULTATION.

2. ICELAND IS EXPERIENCING A SEVERE ECONOMIC CRISIS: 50 PER CENT INFLATION, EXHAUSTED RESERVES, 30 PER CENT DROP IN TERMS OF TRADE, ETC. (SEE A-15). THE GOVERNMENT HAS BEEN FORCED TO TAKE ACTION AND HAS CHOSEN TO DEVALUE 20 PER CENT, IN ADDITION TO THE APPROXIMATELY 30 PER CENT DECLINE (VIS-A-VIS THE DOLLAR) IN VALUE IN 1974. IN CHOOSING THIS ALTERNATIVE, THE PRIME MINISTER SAID: "...THE CHOICE MEANS THAT THE GOVERNMENT WILL FIRMLY MAINTAIN THE FREE TRADE POLICIES THAT THE CABINET WANTS TO PURSUE AND WHICH ARE THE FOUNDATIONS OF CONFIDENCE ABROAD IN THIS NATION AND WHICH THUS ENABLES THE NATION TO ACQUIRE FOREIGN LOAN CAPITAL."  
MARTIN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, NEGOTIATIONS, IMPORT LICENSES  
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**Copy:** SINGLE  
**Draft Date:** 26 FEB 1975  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
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